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SUBJECT: GOP SEEKS TIFA DELIVERABLES

¶1. (SBU) Summary: The GOP hopes to bring progress on IPR issues and on the long-standing Siemens-Westinghouse investment dispute to the Trade and Investment Framework Agreement (TIFA) talks on April 27. They are willing to discuss regional trade issues on the sidelines, but do not wish them to be part of the official agenda, as they are not bilateral issues. They continue to have issues with the items covered in the draft ROZ legislation, but do not appear to have done much preparation on labor monitoring and customs harmonization. No decision has been made on the BIT, although the Commerce and Investment Ministers will discuss this on April 13. End Summary.

¶2. (U) In a meeting with DCM and ECON Counselor April 10, Ministry of Commerce (MoC) Secretary Salman Ghani and his staff stressed their serious intent to generate concrete deliverables from the April 27 TIFA talks in Washington. The GOP delegation will be small: Minister of Commerce Fahim, Secretary Ghani, Senior Joint Secretary Foreign Trade Shahid Bashir, and Deputy Secretary Abdul Memon Qadir from Commerce, as well as Muhammad Afzal Bhatti, Member (Customs), Federal Board of Revenue (FBR). Commerce will decide April 13 whether anyone from the Investment Ministry will accompany. Both Bashir and Ghani would appreciate clarification whether USTR Kirk would be available for the TIFA.

Possible Progress on IPR...

¶3. (SBU) Ghani stressed the GOP's strong desire to see Pakistan removed from the Special 301 Priority Watch List, and the Commerce Ministry would like an announcement that Pakistan's status has improved in time for TIFA. Joint Secretary Bashir quoted from the International Intellectual Property Association's report from 2009 stating that losses in 2008 were only \$77 million, compared with nearly double that amount in 2007. Ghani and Joint Secretary Bashir both indicated that the GOP was ready to introduce long-stalled data protection legislation. Ghani, who had previously been the Health Secretary, said he was pushing that Ministry to establish a Drug Control Authority and to address pricing issues. The Health Ministry is developing a full health policy, including revised price schedules, which he hoped would be ready by the end of the fiscal year (June 30). DCM welcomed any steps the GOP would take on IPR protection, noting that the U.S. has been frustrated by the lack of recent progress, particularly on pharmaceuticals. He indicated that, while this year's assessment is largely complete, the Embassy would support a statement acknowledging at the TIFA any concrete progress by Pakistan.

...and Closing the Books on the Siemens-Westinghouse Dispute

14. (SBU) Ghani said he believed that final resolution of the decade-old Siemens-Westinghouse dispute would be an excellent deliverable for TIFA. DCM briefed Ghani on USG efforts to urge the parties - whose attorneys have verbally agreed on a negotiated settlement - to sign off on paperwork that will bring the issue to a close. The last step is to secure the signature of Investment Minister Waqar Khan, albeit in his private capacity as a representative of the Pakistani firm involved in the suit. Ghani said the issue had been raised with the Prime Minister and that his office would become involved if necessary to bring this issue to a conclusion.

Transit Trade/SAFTA to be Discussed Unofficially

15. (SBU) Commerce officials have mentioned several times that they feel that the regional trade issues items should not be part of the formal agenda as they are not bilateral in nature. They are willing to brief the U.S. side on the margins of the talks, however.

ROZ's

16. (SBU) Secretary Ghani expressed long-standing GOP concern that many of the items on the list to be included in the proposed ROZ legislation would not be that advantageous to Pakistan, stating that the purpose of the ROZ's was to improve Pakistan's overall export volume. He referred to a recent U.S Pakistan Business Council report advocating wider ROZ coverage. As the economy was quite integrated, he said, any slowdown in trade would affect the border areas as well, noting that the Waziris and the Masoods control 60-70 percent of the transportation sector. Ghani also mentioned that ROZ

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coverage of only 100 miles from the border would disadvantage areas in Balochistan such as Lasbela and Gwadar. In answer to our question about which entities could be partners in improving labor monitoring, Ghani, who was previously Labor Secretary in the NWFP government, suggested the labor welfare boards, at both the federal and provincial levels.

Comment

17. (SBU) Although we tried to lower expectations that there was still time to modify this year's Special 301 report, Post would support recognizing any meaningful GOP efforts at the TIFA - provided Commerce can actually deliver. A follow-up conversation at the Ministry of Health to assess any movement on the stalled pharmaceutical legislation was not encouraging; that being said, if the Commerce Ministry can succeed in introducing legislation into the National Assembly, this would be the first progress we have seen in over two years. Even if it is insufficient to warrant changing Pakistan's status on the Watch List, it would be worthy of high-level encouragement.

PATTERSON